



# RPC BULLETIN

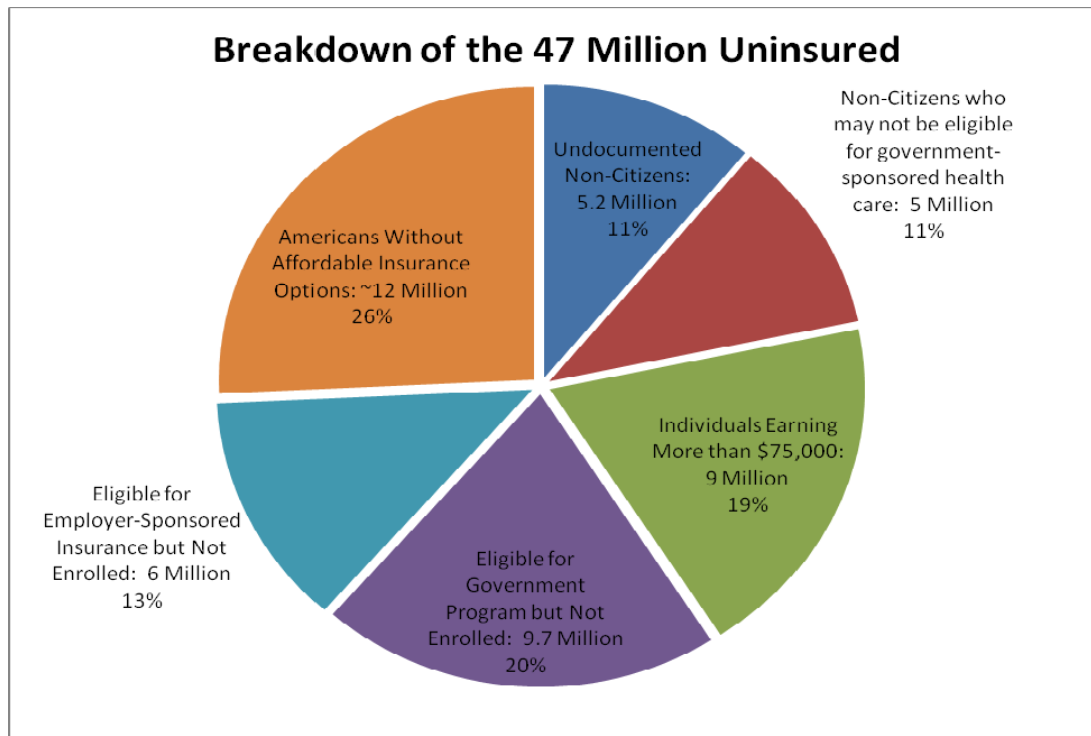
U.S. Senate Republican Policy Committee

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## The Uninsured: Why Properly Defining the Problem Will Help Policymakers Find Better Solutions

The national debate on health care reform has focused on what to do about the 47 million uninsured in our country. Addressing the problem of the uninsured has emerged as one of the top priorities for both parties in Congress. Facing such an imposing number of uninsured has led the media and policymakers to advocate equally imposing solutions, many of which involve a significant expansion of government. However, not even Senator Obama has proposed covering all of the uninsured. The question then is how to best allocate scarce resources to provide assistance to those who are most in need.

As with any major policy issue, it is often helpful to carefully consider the problem before moving to solutions. The data suggests that the uninsured are not homogenous, but rather can be divided into discrete groups which are relevant to policymakers. For example, 9 million of the uninsured earn more than \$75,000 a year, while 9.7 million uninsured are eligible for a public program but not enrolled. This paper will briefly explore who make up the uninsured to add some detail to the current health care discussion. By better understanding the composition of the uninsured, policymakers will be better able to craft effective solutions while remaining responsible with taxpayer dollars.



## **A Better Understanding of the Uninsured Will Help Policymakers Craft Better Solutions:**

The most commonly-referenced data on the number of uninsured is the Income, Poverty, and Health Insurance Current Population Report by the U.S. Census Bureau. The most recent data available, for 2006, shows there were 47.0 million people who reported that they were without health insurance at some point during that year.<sup>1</sup> However, that number in isolation fails to provide policymakers with important information.

- Nine Million uninsured earn more than \$75,000 a year:

Many of the uninsured have incomes sufficient to pay for health care as long as affordable options are made available. More than 9 million (19 percent) of the uninsured earn more than \$75,000, and 17.6 million (37 percent) make more than \$50,000.<sup>2</sup> This population does not require a significant new government subsidy. Instead, they should be encouraged to enroll in health insurance by offering additional incentives and creating more options for affordable insurance.<sup>3</sup>

- Undocumented non-citizens are included among the 47 million uninsured:

Additionally, of the uninsured, 10.2 million (22 percent) are not citizens.<sup>4</sup> An Urban Institute study funded by the Kaiser Foundation estimated that half of these individuals, 5.2 million, are undocumented non-citizens.<sup>5</sup> Non-citizens are far more likely to be uninsured than any other population, with 45.0 percent uninsured as compared to 13.2 percent of the native-born population.<sup>6</sup> While these non-citizens are included in the number of uninsured, many of them would not even qualify for a federal program under current law. There is a five-year bar on eligibility for certain immigrants for many federal programs, including Medicaid and the State Children's Health Insurance Program (SCHIP).<sup>7</sup> Considering current law and the political

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<sup>1</sup> U.S. Census Bureau, "Income, Poverty, and Health Insurance Coverage in the United States: 2006," issued August 2007. (Hereinafter Census Data). Available at: <http://www.census.gov/prod/2007pubs/p60-233.pdf>

<sup>2</sup> Uninsured by Income: (Census Data pg. 21).

- Less than \$25,000: 13.933 million
- \$25,000-\$49,999: 15.319 million
- \$50,000-\$74,999: 8.459 million
- \$75,000 or more: 9.283 million

<sup>3</sup> Many of the uninsured are also young. Over 18 million uninsured are between the ages 18-34. Census Data, pg. 21.

<sup>4</sup> Census Data, pg. 21.

<sup>5</sup> Kaiser Commission on Medicaid and the Uninsured, "Characteristics of the Uninsured: Who is Eligible for Public Coverage and Who Needs Help Affording Coverage," February 2007, pg. 22. This estimate is based on 2005 Census data for the uninsured (44.6 million). The number of undocumented uninsured is likely even higher using more recent Census data because the overall number of uninsured has increased.

<sup>6</sup> Census Data, pg. 21.

<sup>7</sup> See The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), Pub. L. 104-193.

climate surrounding immigration reform, policymakers would probably want to carefully consider whether to extend new benefits to this group.

- Many uninsured are eligible for public or private insurance but do not enroll:

Another fact lost in the discussion of the uninsured is how many of these individuals are eligible for health insurance but decline or fail to enroll. Six million people are eligible for health care through their employer or a family member's employer, but do not enroll.<sup>8</sup> Another 9.7 million are eligible for Medicaid and government health insurance but are not enrolled.<sup>9</sup>

Writing about the issue of those who are eligible for Medicaid but not enrolled, the Congressional Budget Office (CBO) said, "Some policymakers and analysts believe that such people [who are eligible for Medicaid but not enrolled] should be regarded as insured because they can apply for Medicaid when they require care and receive retroactive coverage for their expenses."<sup>10</sup> These individuals who are eligible for Medicaid but not enrolled can become insured as soon as they come into contact with a health care provider such as a hospital. In fact, retroactive Medicaid eligibility may be available for up to three months to a Medicaid applicant who did not apply for assistance until after they received care.<sup>11</sup> Rather than devising new programs to insure these individuals, policymakers should focus on ways to encourage these populations to enroll in the insurance already available to them.

- Why the population without affordable insurance options is important to policymakers:

While creating new solutions to increase the number of insured Americans must remain a top priority in Congress, the data suggests that the number of uninsured Americans the news media generally refers to as unable to access health insurance may be closer to 12 million<sup>12</sup> than to 47 million. These individuals may require new tax benefits or other government assistance in order to be able to afford health insurance coverage. In addition to any new policies, efforts must also be made to help provide more affordable options to those who have chosen not to purchase insurance and to enroll those who are eligible for public programs. However, it is important that policymakers consider the uninsured within the context of which policy solutions can most appropriately and responsibly help them find coverage.

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<sup>8</sup> Kaiser Commission on Medicaid and the Uninsured, "Changes in Employees' Health Insurance Coverage, 2001-2005," October, 2006, pg. 7. Available at: <http://www.kff.org/uninsured/upload/7570.pdf>.

<sup>9</sup> This estimate excludes undocumented non-citizens. Kaiser Commission on Medicaid and the Uninsured, "Characteristics of the Uninsured: Who is Eligible for Public Coverage and Who Needs Help Affording Coverage," February 2007, pg. 22.

<sup>10</sup> CBO, "How Many People Lack Health Insurance and For How Long," May 12, 2003.

<sup>11</sup> See Centers for Medicare and Medicaid Services (CMS) Medicaid Overview. Available at <http://www.cms.hhs.gov/MedicaidEligibility/>

<sup>12</sup> This number is an estimation based on available data.

## Uninsured, but for How Long?

Another issue to consider when looking at the number of uninsured is how long individuals remain uninsured. The CBO looked at the question and found that the number of individuals uninsured for the entire year was markedly lower than the number who were uninsured at a specific point during the year—the number measured by the Census data.<sup>13</sup> A more relevant data point for policymakers may be provided by the National Center for Health Statistics, which asks individuals *how long* they have been uninsured. The most recent survey found that 31.2 million people had been without insurance for more than a year.<sup>14</sup> The data therefore shows that a significant number of the uninsured counted by the Census are only without health insurance for a period of time during the year.<sup>15</sup>

The CBO wrote that the distinction between the short-term and long-term uninsured should be relevant to policymakers:

“Policies aimed at increasing coverage are most likely to be effective if they consider the distinction between the short-term and long-term uninsured. For people with short uninsured spells, policies might have the goal of filling a temporary gap in coverage or of preventing a gap from occurring. For people with longer periods without insurance, policies might seek to provide or facilitate an ongoing source of coverage.”

While those uninsured for less than a year certainly need help, it is important for policymakers to consider the CBO’s comments on the limitations of relying on the Census measurement alone.

Additionally, while it is true that the number of uninsured has risen steadily in recent years, other data available from the Census report adds some important detail.<sup>16</sup> For example,

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<sup>13</sup> The CBO reported that about 30 percent of nonelderly Americans who become uninsured in a given year remain so for more than 12 months, while nearly half regain coverage within four months. Congressional Budget Office, “How Many People Lack Health Insurance and for How Long?” May 12, 2003.

<sup>14</sup> National Center for Health Statistics, “Health Insurance Coverage: Early Release of Estimates from the National Health Interview Survey, January-September 2007,” available at: <http://www.cdc.gov/nchs/data/nhis/earlyrelease/insur200803.htm>.

<sup>15</sup> The Consolidated Omnibus Budget Reconciliation Act (COBRA) allows individuals covered by most group health plans to continue their health coverage for up to 18 months.

<sup>16</sup> The primary source of funding for uncompensated care is government dollars. Projected federal, state, and local spending available to pay for the care of the uninsured in 2004 was \$34.6 billion—about 85 percent of the total uncompensated care bill. Kaiser Commission on Medicaid and the Uninsured, “The Cost of Care for the Uninsured: What Do We Spend, Who Pays, and What Would Full Coverage Add to Medical Spending?” May 10, 2004.

the number of people *with* health insurance increased in 2006 to an all-time high of 249.8 million.<sup>17</sup> Additionally, the percentage of uninsured within the population is the same as in 1998.<sup>18</sup> Furthermore, the number of uninsured varies greatly by state: For example, the average for states in the Midwest was 11.4 percent, while the South averaged 19.0 percent.<sup>19</sup> The needs and solutions for these states vary significantly. The Census data provides evidence that a one-size-fits-all approach to health care reform would be misguided.

### **The Availability of Affordable Individual Policies Remains a Major Problem:**

While the media and policymakers have focused on the failure of employers to provide health care for their workers, the Census data suggests that the failure of the individual market shares responsibility for the increase in the uninsured. The number of individuals insured through their employer now stands near record levels. In contrast, the number of individuals who directly purchase health care (outside of their employer) has fallen sharply over the last decade. In fact, the number of people buying insurance on the individual market is now at an all time low in percentage terms since the Census Bureau began keeping track, with only 9.1 percent of individuals buying their own health care in 2006. In 1994, 12 percent of individuals bought health care on the individual market.<sup>20</sup> In fact, over 4 million *more* people reported buying their own health insurance in 1994 than in 2006. If the growth in the individual market for health insurance had kept pace with the growth in the employment-based market, the increase in the uninsured would be nearly zero or even negative.<sup>21</sup> This shows that the individual health insurance market has been going in the wrong direction, with increased reliance on the government taking its place.<sup>22</sup>

Additionally, the problem in the availability of health coverage for those who are employed is driven largely by a decrease in the number of small businesses offering health care.<sup>23</sup> Congress could help these smaller businesses afford health insurance for their employees by passing commonsense reforms like small business health plans.

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<sup>17</sup> Census Data, pg. 58.

<sup>18</sup> Census Data, pg. 58.

<sup>19</sup> Census Data, pg. 24.

<sup>20</sup> 1994 is the first year that the Census began measuring this statistic. Census Data, pg. 58.

<sup>21</sup> To illustrate, from 1994 to 2006 the number of individuals receiving health insurance through their employer increased from approximately 160 million to 177 million, an increase of 17 million. In contrast, the number of individuals purchasing health insurance on the private market decreased from 31 million to 27 million, a loss of 4 million insured individuals. Census Data, pg. 58.

<sup>22</sup> One area of health insurance which has experienced uninterrupted and sustained growth is government health insurance. Of the 296.8 million individuals with health insurance, 27 percent (80.3 million) were covered by a government program. Census Data, pg. 58.

<sup>23</sup> Kaiser reported that “the drop in the overall offer rate [for health insurance among employers] is driven by the declining percentage of small firms (3–199 workers) that offer coverage. Among firms with 3 to 9 workers, the offer rate has dropped from 57% in 2000 to 45% in 2007. Over this same time period, the offer rate has remained stable for firms with 200 or more workers at 98% or 99%.” Kaiser Family Foundation, Employer Health Benefits 2007 Annual Survey.

**Conclusion:**

The composition of the uninsured needs to be carefully considered before proposing solutions. The Census data suggests that a significant portion of the uninsured have insurance options available, but either choose not to enroll or fail to take advantage of these options for other reasons. Policymakers should consider how to encourage those who can afford health insurance or who are eligible for private health care to enroll in health insurance rather than support a new one-size-fits-all government program. Additionally, the data shows that a significant problem with the increase in the uninsured is a result of the failure of the individual market for individual insurance. This problem could be addressed through, for example, tax credits to make individual policies more affordable, risk-pooling to address costs for individuals with preexisting conditions, or legislation to allow individuals to avoid costly state mandates by purchasing policies across state lines. A big-government program designed to treat all the uninsured identically would misdiagnose the problem and lead to an ineffective allocation of taxpayer dollars.